



Generational change in farming

Martin Hall, D&R Senior Director is Junior Vice President of CAAV and offers a broad UK perspective on the significant shift underway in the countryside.

Farming is experiencing a generational change – probably the greatest change we have seen in 50 years – and there have never been so many potential paths to follow and options available.

Firstly, we have more competing land uses than we have seen before – food production, environmental enhancement, forestry, carbon sequestration, energy production, recreation and tourism, and housing development. The values

that can be attributed to some of these things have seen huge fluctuations in recent months and new markets are emerging outwith the traditional land uses.

Support for farming is developing at different timelines and in different directions in each of the devolved countries of the UK. In England the shift is very much here and now, and the last BPS SAF submission on May 15th will take place in 2023. In Scotland the can

has been kicked down the road for a few more years, and much of the detail is yet to be communicated making it difficult for businesses to plan ahead.

Much has been said about carbon, but the message to the industry is quite simple: you have to start with a baseline audit to measure your current carbon levels. If you already have a carbon count, do take the opportunity to have it validated, and keep hold of it for the future, you don't know when it may be needed. A market is developing but generally at low levels to date, though values are likely to increase.

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**Rural market
update**



**Succession planning
& valuations**



**Compensation
for utility work**



RURAL & AGENCY

Head of Department Director - Graeme Ferguson

Generational Change in farming continued

Author: Martin Hall,
Senior Director

In England, as a result of requirements of the planning process, the markets are beginning to develop in Biodiversity Net Gain and Nutrient Neutrality.

In Scotland, following the adoption of the National Planning Framework 4 (NPF4), we are likely to see these environmental enhancements introduced as part of the development process, with opportunities for farmers near to development areas.

Throughout the UK, there is a housing shortage, and with consistent under delivery of land for housing, land values continue to move up. Letting regulation is now complex and has become a barrier to new properties becoming available, and in some

areas such as Edinburgh and Wales, housing used for holiday lets or Air BnB needs planning consent.

The pressures to increase energy production and to control costs for businesses have seen a push in renewable energy, be it at farm, or large scale through AD plants, solar, wind and battery storage. All add value to rural businesses, and some are transformational.

Fluctuations in input prices and farm gate prices for produce make it difficult to plan for many farm enterprises. This, in addition to the roll out of all things digital, can make the operation of family farm businesses difficult. For some, the question of succession is looming, there have been active discussions on this in recent years,

which is to be encouraged. For those without natural successors, then strategic advice on the options can be a useful first step.

There is no doubt there are many challenges ahead, but there are also many opportunities. With the right advice we can work through this together.



Martin Hall

Throughout this bulletin you will find articles that cover some of the areas I've discussed in more detail.

Fuller articles can be found on our website www.drrural.co.uk

Succession planning and valuations – protect your family and business

Author: Graeme Ferguson,
Director, and Head of
Rural & Agency

Establishing a plan for farm/estate succession will ensure effective transfer of assets to the next generation, and a strong succession plan will help protect your business and your family.

Capital taxes can be a significant financial drain on property owners, but many are reluctant to obtain a formal valuation because of the associated expense. This is a short term view - because valuations are key to helping to reduce the exposure of families and businesses to capital taxes.

According to NFU Mutual's research, only 47% of farmers polled had succession plans in place – and only a third of these had been regularly reviewed to ensure they remained current.

A frank and honest conversation will help understand the long term goals of the business and those involved. Does the next generation wish to run the business as it is? Have they a different view of farming? How will the farming landscape have changed? Will they look to diversify or even cash in their assets? These can often be difficult or challenging conversations, and ones that are often best facilitated by a specialist third party/consultant.

To maximise the benefits for all involved, instructing a property valuation is the next step in the process. Property valuations inform for succession and tax planning and are equally as important as probate valuations. It is essential to understand how the assets are owned, who is occupying the land and buildings, and on what basis,

alongside the potential implications of both inheritance tax and capital gains tax.

Valuations properly assist tax planners in assessing tax liabilities so they can maximise available tax reliefs and mitigate inheritance tax liabilities for you. Our team has the expertise and experience to value your land – be they formal RICS valuations for capital taxation, land sale or purchase, succession planning, secured lending or other matters including landlord/tenant issues.



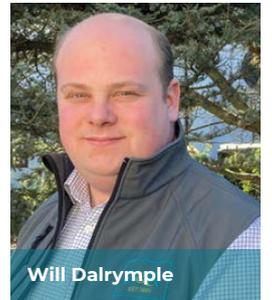
Graeme Ferguson

For more information contact
Graeme Ferguson on
07854 899 323



Rural property update | Author: Will Dalrymple, Associate.

Our rural landscape faces some of the greatest changes in a generation. Global market fluctuations have meant companies are becoming more risk averse, and government policies have created uncertainty in both the agricultural industry and rural property market.



Will Dalrymple

The Russia/Ukraine conflict has had a major impact on commodity markets, with the increased costs of inputs like fertilisers and fuel reducing profit margins for many agricultural businesses. Whilst inflation may have peaked, increased prices will continue to impact the industry. But will they impact property prices?

Market demand from investors wanting to expand their operations to spread costs over greater acreage, combined with a limited supply of farmland coming to market has resulted in demand outstripping supply, increasing the average price of farmland.

In particular, demand for Scottish farms has been strengthened by comparably lower land costs, fueling increased interest from English buyers looking to reinvest rollover funds or relocate to a larger farm of comparable value in Scotland.

Going forward, availability of long-term finance, continuing tax status of owning land, and limited opportunities in the market,

will combine to support land values. Demand for prime arable and grassland remains strong with cash buyers competing for land.

Across the dairy industry, high fixed costs see continual decline in herd populations but the general rise in milk prices has helped keep buoyant demand for dairy farms and good grassland.

South west Scotland is home to many of Scotland's dairy farms, and has continued to be a very active area for farm transactions. Craigalbert Farm, in Ballantrae, a farmhouse with extensive steading and over 100 acres of fertile land, went to market for offers over £795,000 and sold well, with multiple offers in excess of asking price.

There is still volatility in the market for lower grades of land, particularly in the more peripheral areas of Scotland. Following increased demand for land suitable for planting trees (which increased land values considerably where soil and conditions are suitable), there have been changes to the Woodland

Carbon Code.

We are now seeing hesitation from investors, and average land values for land suitable for planting seems to be falling back.

Specifics in England

The **Environmental Bill** introduced a 10% biodiversity net gain as a statutory requirement for developers and is expected to open a new market in trading of credits. **Hill land** values in the north west continue to increase, with interest from investors and developers buying land for planting, rewilding or energy production. **Pasture** values are still rising for the same reasons as hill land, but pasture has additional interest from farmers and residential/commercial developers. We **expect volatility for lower grade land** because of uncertainty around future Sustainable Farming Incentives (SFI's).

**Considering buying or selling?
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discussion call our sales team
on 0131 449 1155**

Adding value to rural estates – 7 key points

Author: Niall Milner,
Director



In an ever-changing world of agricultural policy, Brexit, global conflict, and pandemic triggering recession in the UK the key principles to managing your estate still stand and will provide you with a robust business for an ever-changing rural marketplace. You will find an extended article on our website, but the seven key points are:

- 1. Diversify your income** – having diversified income streams can provide resilience in a time of change and volatility. These can be commercial rentals, storage/workshops, farms shops or cafes, or the ever-growing craze of paw parks (dog walking areas) for those nearer to residential settlements.
- 2. Invest wisely** – is it a repairing obligation or an opportunity to invest in your tenant business? An investment into the farm infrastructure needs to be supported by a business case before anything is built.
- 3. Take H&S seriously** – what may seem obvious to you is not obvious to the public and where access rights across Scotland are so irreplaceable, it's important to properly manage stock, fencing, appropriate signs, and hold a tree safety survey. It often seems like money wasted until it becomes money saved.
- 4. Energy** – EPCs and energy security are in sharp focus and the reality of the cost-of-living crisis is now hitting home. We are seeing a shift in mindset of prospective tenants taking an interest in the EPC of properties
- 5. Reinstatement Cost Valuation** – building costs have increased over 20% in the last few years. It is important that Reinstatement Cost Valuations are conducted on farms and estates regularly, and no more than 5 years apart for insurance purposes.
- 6. Budget** – if the business is looking to introduce change, it's important to consider the implications from a tax

perspective. Equally, having a cash flow budget for your property is key and reviewing this regularly can help you tax plan and make the best decisions.

- 7. Everything in writing** – If your property involves any tenanted property, ambiguity and misunderstandings can cause some of the biggest break downs in relationships. Having file notes and written correspondence can help alleviate any disagreements and equally, written tenancy agreements are no exception.

For more information contact
Niall Milner on 01555 666 655

Short-term let licensing for self-catering properties

Author: Katie Kolita,
Graduate Surveyor

Offering self-catering holiday accommodation has become a key diversification strategy for many farmers and landowners. In Scotland, new legislation means a licence will be required to continue to operate.

A licence will be a legal obligation and it will be a criminal offence to operate a holiday let without one.

The Short-Term Let Licencing Scheme ("the scheme") was introduced in Scotland following the influx of flexible self-catering accommodation. It aims to ensure accommodation meets basic safety standards and also provides

discretionary powers to local authorities by creating a register of accommodation providers and assisting with complaint/dispute handling more effectively.

How will it affect you?

Requirements of the safety standards include Electrical Installation Condition Report (EICR), Gas Safety Certificate, EPC, and necessary insurances. In addition, all accommodation must comply with the Repairing Standard and Tolerable Standard for Scotland, including complying with the February 2022 changes to fire, smoke, and carbon monoxide alarm legislation.

New holiday lets require a licence prior to operation. Existing operators must apply for a licence to continue operating after 1st October. Self-catering accommodation will require a 'Secondary Licence' which will be valid for three years and does have a fee attached.

In England a similar scheme is being developed with the Short-term and Holiday-let Accommodation (Licensing) Bill currently in its second reading in the House of Commons.

For more information contact
Katie Kolita on 01556 512 150

UTILITIES, ENERGY & INFRASTRUCTURE

Head of Department: Director Ian Austin

Are you missing out on utility or infrastructure claims?

Farmers and landowners affected by utility and infrastructure work are not always aware of the claims they can make. Involving us when a utility project is first announced can make a real difference.

Castle Douglas based Land Agent Ian McKnight has years of farming knowledge, and first-hand experience of utility projects on the land he farms. He has been talking to farmers affected by infrastructure and utility projects, highlighting the key elements of

compensation, which generally fall under four key considerations: Loss of land use, disturbance, reinstatement, and client time.

Loss of land use and disturbance relate to issues like crop damage, disruption to field work and dealing with temporary fencing. Reinstatement costs, e.g. replanting or reseeded can be higher than standard cost/acre because the same amount of machinery and set up time is needed for 1 or 100 acres.

Client time is often underestimated. Farmers must put a value on their

time, keeping a diary that logs time spent means an hourly rate can then be applied.

D&R has a breadth of experience to help clients understand issues likely to be faced and the rates that are likely to be paid.

For more information contact Ian McKnight on 07918 865 249 or Ian Austin on 0131 449 6212



NPF4 – will it help unlock land for renewable projects?

NPF4 assumptions could see the focus of adding value to land shifting from residential and commercial development towards renewable energy development.

The National Planning Framework 4 Policy (NPF4) set out by the Scottish government aims to address climate issues and how to achieve a net zero carbon economy. The positive element to NPF4 is that it should facilitate the delivery of substantial low carbon energy, renewable energy generation and improved infrastructure.

This is an exciting time for landowners and developers,

where certain land opportunities or those more sensitively located could be unlocked for renewable development. Residential development on prime agricultural land or carbon rich soil is unlikely - unless it can be clearly demonstrated there is a net gain in terms of decarbonising and encouraging renewable energy.

Demand for sites will continue with a possible shift in focus of land allocation from residential/commercial development, towards renewable energy development. We are also watching how existing residential development option agreements progress, and whether landowners can retract from

long term option agreements if renewable energy land values are more favourable.

Landowners may be encouraged to bring forward possible sites to market for developers to tender rather than developers seeking and sourcing land requirements on an ad-hoc basis. This allocation approach may require landowners to actively promote their site at local planning level. D&R has a long history of supporting landowners looking to add value to their land.

For more information contact Stuart Lobb on 0131 449 6212

EV Charging Points – an opportunity to charge

The UK government's plan for an industrial revolution includes making all new cars/vans 100% zero emissions by 2035. This means a huge increase in Electric Vehicle (EV) charge points with plans to double the size of Scotland's EV charging network over the next four years.

This is an immediate opportunity for landowners adjacent to arterial

roads to offer small areas of land to EV Charging firms for installation of EV charging points on a lease basis.

Operators are looking for land adjacent to existing service stations and new land that poses an opportunity to bridge this gap. Rural landowners may be able to exploit this in areas of high levels of tourism, and destination shopping traffic.

Operators are offering long-term leases with landowners, depending on proposed volume and use. We strongly encourage clients to seek professional advice before entering any contracts. D&R has a dedicated team negotiating and delivering successful outcomes for land/site owners.

For more information contact Ian Austin on 0131 449 6212

NEW HEAD OFFICE ADDRESS: Rural Centre, West Mains, Ingliston, Newbridge EH28 8LT

New Director, and Head of Rural & Agency

Graeme Ferguson joins the team

We are delighted to welcome Graeme Ferguson who joins us with over twenty years' experience as a Chartered Surveyor and a strong background in rural and commercial property. A RICS Registered Valuer, he has worked in the Highlands for over 20 years and has acted for private clients, corporate and multi-national companies, government bodies, and community groups.

Graeme, previously a Partner at Bidwells, has vast experience in a wide range of rural property matters - from estate management, sales,



Graeme Ferguson

valuations, utility management, planning and community engagement to diversification projects. Based in Fort William, Graeme's work takes him the length and breadth of Scotland, but is predominantly centred in Argyll, Perthshire, Inverness-shire, and Caithness.

Graeme can be contacted at the Fort William office on 07854 899 323 or email GF@dr rural.co.uk

Strengthening our Property & Forestry team

Duncan Glen joins as Director with natural capital focus

Duncan Glen joins the team as Director with a focus on environmental land management - an area he has specialised in for over thirty years.

It is a very exciting time for our industry, with climate change, net zero targets, and the environment becoming a real focus for policy makers and the public. Duncan is passionate about land management with environmental provenance, and understands how landowners can make both work in tandem to be sustainable and profitable for the future.



Duncan Glen

Based in our new Northumberland office, Duncan will be leading the expansion of the natural capital services we provide, developing our team and support clients to make the most of their natural assets.

Duncan can be contacted at the Northumberland office on 07584 468 786 or email DG@dr rural.co.uk